



STATE OF NEW MEXICO

DRINKING WATER STATE REVOLVING FUND

STATE FISCAL YEAR 2016

(July 1, 2015 – June 30, 2016)

INTENDED USE PLAN

This plan documents how the State of New Mexico intends to use the funds provided by the Drinking Water State Revolving Fund Capitalization Grants in order to ensure that its citizens and guests are provided safe, clean drinking water.

DRAFT June 25, 2015



New Mexico Drinking Water State Revolving Loan Fund

SFY 2016

Intended Use Plan

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EXECUTIVE SUMMARY

Section 40 CFR 35.3555 requires each state to prepare annually an Intended Use Plan (IUP) that describes to the public how it intends to use the federal funds to support the overall goals of the Safe Drinking Water Act (SDWA), including short and long-term goals of the programs funded by the Capitalization Grants. The federal guidelines also require that each state seek meaningful public review and comment during the development of the IUP. Following public comment, the IUP is submitted to the Environmental Protection Agency (EPA) for approval.

In State Fiscal Year (SFY) 2016, the New Mexico Environment Department Drinking Water Bureau (DWB) and the New Mexico Finance Authority (NMFA) will continue to build upon the past accomplishments of the New Mexico Drinking Water State Revolving Loan Fund (DWSRLF). This SFY 2016 IUP provides information that outlines the DWSRLF and other Capitalization Grant Funded activities planned and intended to occur in SFY 2016.

To help systems in need of funding, the State began offering in SFY 2013 greater opportunities to access the DWSRLF by utilizing a quarterly Priority List System which will continue in SFY 2016. Systems that wish to be considered may submit their project interest forms during the year and will be considered as part of the next quarterly update of the priority list publishing. Additionally, the DWB will maintain a multi-year Comprehensive List that provides a comprehensive listing of the projects in need of DWSRLF assistance.

In SFY 2016, the DWB will continue to focus on implementing the public health aspects of the Safe Drinking Water Act (SDWA) and providing capacity assistance to those communities in need and the NMFA will continue to ensure that funds move expeditiously and responsibly. For SFY 16, both agencies will be reviewing and improving standard operating procedures. The NMFA and DWB work closely together to identify assistance needs to ensure communities are provided safe, clean drinking water into the future.



I. INTRODUCTION

A. New Mexico Drinking Water State Revolving Loan Fund

The Federal Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF), a low-cost loan fund for community and non-profit non-community public water systems (PWSs) to finance the cost of repair and replacement of drinking water infrastructure, maintain or achieve compliance with SDWA requirements, and protect drinking water quality and public health. Pursuant to the 1996 SDWA Amendments, the State established the DWSRLF in 1997 with the passage of the Drinking Water State Revolving Loan Fund (Act). Under the Act, the NMFA serves as the State's grantee for Capitalization Grants allotted to the State and administers the DWSRLF. The NMFA also provides the 20% State Match (State Match) required by the SDWA. The amount of annual Capitalization Grant is determined by Congress and administered by the EPA. The SDWA allows each state the discretion to utilize up to 31% of each annual DWSRF Capitalization Grant (Capitalization Grant) to fund four different Set-Aside categories, with the remainder of the Capitalization Grant directed to the states' loan funds:

1. Administration and Technical Assistance (up to 4%);
2. Small System Technical Assistance (up to 2%);
3. State Program Management (up to 10%); and
4. Local Assistance and Other State Programs (up to 15%).

The NMFA, as grantee, is responsible for the administration of DWSRLF financing and related functions funded by the Administration and Technical Assistance Set-Aside of the Capitalization Grant. The DWB, as the State's primacy agency, is responsible for the oversight and implementation of the Small Systems Technical Assistance, State Program Management, and Local Assistance and Other State Programs Set-Asides.

Each state fiscal year New Mexico prepares an IUP to describe how it plans to use the DWSRF to meet the objectives of the SDWA and the New Mexico DWSRLF Act. This IUP is the central component of the State's FFY 2016 Capitalization Grant application to EPA and communicates the plans to stakeholders and covers the time period of July 1, 2015 through June 30, 2016¹. This document describes the short and long term goals of the program, the priority setting process used to rank projects along with the list of projects eligible to receive funding, and describes how the State will use the set-asides to support the program.

¹ Capitalization Grants are issued on a Federal Fiscal Year basis to be spent over a period of four years with a goal of being fully spent within two years from the date of award; the Intended Use Plan is developed based on the State Fiscal year (July 1-June 30) and describes how DWSRF funds will be spent in that given SFY and can address unspent funds from previous years' Capitalization Grants.



To date, the State has received approximately \$172.5 million in Capitalization Grants and has provided the 20% State Match totaling approximately \$31.5 million. To date, all State Matches plus 69% of each Federal Capitalization Grant, now totaling approximately \$152.2 million, have been directed to the DWSRLF. To date, the NMFA has entered into loan agreements for approximately \$160.6 million with approximately \$47 million (29.4%) loaned to small PWSs that serve a population of 10,000 or fewer and \$39.5 million (24.5%) to disadvantaged PWSs. Overall, the DWSRLF and associated Set-Asides are vital to the goal of providing safe drinking water to all citizens of the State.

B. What's New This State Fiscal Year?

The Environmental Protection Agency has added two additional requirements to the DWSRF, Buy American Iron and Steel and a requirement to enhance the public awareness of SRF assistance agreements.

American Iron and Steel

For all new contracts, the DWSRLF borrowers shall comply with all federal requirements applicable to the Loan (including those imposed by the 2014 Appropriations Act and related SRF Policy Guidelines) which the borrower understands includes, among other, requirements that all of the iron and steel products used in the Project are to be produced in the United States ("American Iron and Steel Requirement") unless (i) the borrower has requested and obtained a waiver from the Finance Authority pertaining to the Project or (ii) the Finance Authority has otherwise advised the borrower in writing that the American Iron and Steel Requirement is not applicable to the Project.

Enhancing Public Awareness

Starting with the FFY 2015 Capitalization Grant award there will be a signage requirement tied to the capitalization grant. The intention of the effort is to communicate the positive impact and benefits of EPA funding and increase the awareness of the SRF program. Communities have the following options to comply with new requirement: standard signage; posters or wall signage in a public building or location; newspaper or periodical advertisement for project construction, groundbreaking ceremony or operation of the new or improved facility; online signage placed on community website or social media outlets; or press release.

DWB updated the prioritization criteria (Appendix B) for this intended use plan to reflect both a prioritization on the type of project that most impacts public health and SDWA compliance as well as incorporating the most relevant planning processes, such as asset management, source water protection, regionalization and water loss, which contribute significantly to creating the most sustainable water infrastructure projects.

In SFY 2015, the Environmental Protection Agency (EPA) provided two goals related to the drawing down of the Federal Capitalization Funds. These goals continue to be a priority for the NMFA and DWB moving forward into SFY 2016. The first goal is that all legacy grants (defined as any grant awarded before FFY 2014 Capitalization Grant) be expended by September 30,



2016. The second goal is to expend all funds from Capitalization Grants in two years starting with the FFY 2014 grant allocation.

To accomplish the first goal, the NMFA provides focused customer service to the 27 active loans to ensure prompt requisitions and fast approval times. As of March 31, 2015, the total outstanding balance of active projects (\$22.75 million) which exceeds the balance of legacy grants (\$9.85 million) by more than \$12.89 million. Tier II funds have also been utilized and combined with the remaining capitalization grants funds, \$24.02 million is expected to close in the next few months. NMFA is confident in meeting the EPA legacy goal. Any new entity taking on a loan should expect to submit requisitions for reimbursement at least every three months.

In order to accomplish the second goal of expending all new capitalization grants within two years, New Mexico will continue to accept applications year round, prioritize and update the fundable list every quarter. Additionally, the Fundable Priority list will focus on construction-ready projects. The Fundable Priority list will be made up of projects that have addressed the criteria set forth by DWB in Appendix B. DWB plans to increase the required expenditure rate of set asides to two years through increases in contract work with third party assistance agencies and the reversion of the oldest unused set aside funds to the loan program. The DWB will revise and implement streamlined procedures to identify and track assistance needs to provide targeted capacity assistance to those PWSs out of compliance and trying to participate in the DWSRF program. Furthermore, to ensure expenditure rates are on target, the DWB will transfer \$1,158,545 of set-asides into the loan fund from for use on drinking water projects.

The NMFA and DWB are committed to ensuring that all Capitalization and State loan funds will be allocated, entities will receive binding commitments, and begin drawing down on the loan funds in a timely manner, thus eliminating unliquidated obligation balance from previous years. New Mexico will utilize a quarterly update to the Fundable Priority List process to allocate the FFY 2015 Capitalization Grant of \$8,845,000 in SFY 2016, and the additional funds from transfers of \$1,158,545 of set a sides allocations from FFY 2010 and FFY 2011 into the loan fund, award pending.

II. STRUCTURE OF NEW MEXICO'S DWSRLF

New Mexico's DWSRLF consists of two components that will be used to accomplish its goals.

A. Funding of Capital Planning, Design and Construction Projects

The NMFA has established low interest rates for the DWSRLF program to promote a low-cost viable source of funding to address drinking water projects in the State. The NMFA will use a variety of sources of funds to make loans that assist in the planning, design and construction of projects. For SFY 2016, these sources of funds include the FFY 2013, 2014, and 2015 Capitalization Grants, repaid principal and interest payments ("Tier II" revolving funds), and transfers of set aside funds from FFY 2010 and FFY 2011. The NMFA will provide loans with



interest rates ranging from 0% to 4%, depending on a PWS's ownership and Median Household Income. If a PWS is publicly owned, then it is eligible to receive a DWSRLF loan at 0% or 2%. To the extent possible, the NMFA will use subsidy available through the Capitalization Grant to help entities that are disadvantaged or severely disadvantaged that could not otherwise afford DWSRLF loans and to provide incentive to undertake projects that meet other priority EPA goals.

B. Set-Asides

The set-asides will be used to provide additional support for New Mexico's core drinking water programs that include PWS Supervision, Community Services, Technical Services and Source Water and Wellhead Protection, and for activities to assist PWSs in developing sustainable practices for the future. The set-asides help PWSs build capacity to assist in achieving and/or maintaining compliance with the SDWA and state regulations and to manage water systems with the ability to deal with unexpected emergencies and to plan for future development. Additional details are provided in Section IV of this IUP; but a summary of how New Mexico intends to use each set-aside is as follows:

- **Administration** set-aside will be used to support the state operation and management of the DWSRLF.
- **Small Systems Technical Assistance** set-aside will be used to assist small systems serving fewer than 10,000 people, primarily those that require assistance in returning to compliance with regulations.
- **State Program Management** set-aside will be used to support the Public Water System Supervision (PWSS) program, administrative requirements, and the administration of the Certified Utility Operators Program in NM.
- **Local Assistance and Other State Programs** set-aside will be used to provide assistance and training directly to PWSs for technical, managerial and financial capacity development, surface water treatment plant optimization, water loss program development, emergency response planning, and source water protection activities.

The DWSRF program allows for the reservation or banking of set-asides except for the Local Assistance and Other State Programs category. Due to New Mexico's current high unliquidated obligation balance and the expected rate of expenditures of open Capitalization Grants, New Mexico will bank the 2% Small Systems Technical Assistance set-aside and the 10% State Program set-aside of the FFY 2016 Capitalization Grant. These funds will be banked and requested for in a future Capitalization Grant.



III. GOALS OF NEW MEXICO'S DWSRLF PROGRAM

The State of New Mexico is committed to providing safe, clean drinking water to all of its citizens and visitors. New Mexico's DWSRLF program was developed to meet the needs of the local PWSs by implementing the long and short terms goals of the program presented below. This framework guides the decision-making in NM's DWSRLF program.

A. DWB Set-Aside Public Health/Environmental Results Goals

New Mexico's DWSRLF and set-aside work plan contribute to achieving EPA's Strategic Goal 2, sub-objective 2.1 – Protect Public Health. EPA's strategic measure for this goal is for ninety-two (92) percent of community water systems to provide drinking water that meets all applicable health-based drinking water standards through approaches including effective treatment and source water protection. New Mexico's DWSRLF program provides funding to help achieve this federal performance standard. New Mexico intends to meet or exceed EPA's annual performance targets.

B. DWB Long Term Goals:

1. The DWB will regulate and assist PWSs in New Mexico to provide safe, clean, affordable drinking water to the citizens and visitors of New Mexico.
2. The DWB will support PWSs using the set-aside funds to maximize SDWA compliance, promote public health protection, affordable drinking water, PWSs' sustainability, and PWSs' capacity with a focus on PWSs serving populations of 10,000 or fewer and particular emphasis on those serving 3,300 or fewer.
3. The DWB will provide training and direct assistance to community and non-transient non-community PWSs, as resources allow, through contractors (if applicable) and internal staff to increase technical, managerial, and financial (TMF) capacity, planning to protect quantity and quality of source water, assistance to meet funding requirements for capital improvements, and ensure that operator/board training and assistance services are designed to target small PWSs serving populations of 10,000 or fewer.
4. The DWB will promote protection of public health by providing to PWS operators technical training, education, and professional technical resources, with an emphasis on assisting small PWSs serving a population of 10,000 or fewer, to assist PWSs in achieving and maintaining long-term sustainable operations and SDWA compliance.
5. The DWB will provide assistance to small community PWSs that lack the managerial capability to operate and maintain the system in a cost-effective manner and in accordance with regulations, including encouraging consolidation and/or regionalization.
6. The DWB and its partners will work with community PWSs throughout the State to encourage and assist systems to have a rate structure in place to support normal operation and maintenance, emergency replacements and planned infrastructure



replacement costs. The financial capacity assistance for PWSs will assist with the review and implementation of sustainable rates, asset management and encourage long-term planning.

7. The DWB will collaborate with organizations, agencies, and individuals to develop sustainable supplies of healthy drinking water for the PWSs of the State through Source Water and Wellhead Protection Program (SWWPP) planning activities.
8. The DWB will collaborate with other agencies and assist PWSs in need of funding for infrastructure improvements with funding requirements, building the capacity to manage the new infrastructure project, becoming ready to proceed to construction, and gaining the debt capacity to be fundable for a project.
9. The DWB will annually review the DWSRLF priority ranking criteria to reflect current public health priorities in New Mexico and measures used for the establishment of the Fundable Priority List and Comprehensive Priority List.

C. DWB Short Term Goals

1. The DWB will provide targeted assistance through the Capacity Development Program to community and non-transient non-community PWSs that are on the DWSRLF Comprehensive Priority List but are unable to qualify for the Fundable Priority List because of capacity deficiencies. DWB will always target systems that are out of compliance for assistance and training.
2. The DWB will provide funding application assistance for planning to PWSs with necessary projects that are not ready for construction within six months because a lack of planning documentation.
3. The DWB will also look to encourage the coordination of funding packages with some combination of principle forgiveness or state grant program and DWSRLF for disadvantaged communities that are out of compliance and do not have the debt capacity to qualify for a DWSRF loan. DWB funding partners are currently primarily DWSRLF and Clean Water State Revolving Loan Fund (CWSRLF), but DWB would like to partner with state funding agencies as well to assist water systems in identifying their most cost effective infrastructure financing solutions, especially when financial capacity is adequate, but debt capacity is a limiting factor for disadvantaged communities to receive funding.
4. The DWB will provide outreach on the assistance programs offered by DWB in conjunction with its assistance partner agencies as well as outreach on funding partners' application and eligible project opportunities. Outreach will be conducted through presentations at conferences and regional outreach events, website updates and maintenance, and direct outreach with list serve emails, direct mailings, and personal phone calls.



5. The DWB will examine the hiring process to identify any improvements that can be made to reduce the amount of time DWB positions remain vacant.
6. The DWB will continue to develop, update and maintain standard operating procedures that address programmatic changes that occurred in SFY 2014.
7. The DWB will submit reimbursement invoices within 30 calendar days following the end of each quarter, with the exception of the 4th quarter billing which will be submitted within 45 calendar days following the end of the 4th quarter due to various end of year processes and requirements.

D. DWB/NMFA Collaborative Long Term Goals

1. The NMFA and DWB will endeavor to complete 100% of all reports on time and accurately, in accordance with EPA timeline, to maintain complete administrative functions to sustain the DWSRLF.

NMFA and DWB will report the Intended Use Plan, Capitalization Grant application (DWB Work plan), quarterly Fundable Priority Lists and annual report.

The NMFA will report on the following: Federal Funding Accountability and Transparency Act (Sub award reporting system “FFATA”), projects & benefits reporting (PBR), fund utilization rate (FUR), Single Audit Report, Federal Financial Reports, Drinking Water National Information Management System (DWNIMS) and Minority Business Enterprise/Women’s Business Enterprise (MBE/WBE).

E. DWB/NMFA Collaborative Short Term Goals

1. The DWB and the NMFA will provide an opportunity for public participation by posting this IUP for public comment on the NMFA and the DWB websites from June 25, 2015 through July 27, 2015 and will accept comments throughout this period.
2. The NMFA and the DWB will prepare and submit the FFY 2015 Capitalization Grant Application by August 31, 2015.
3. The DWB and the NMFA will complete and submit the SFY 2015 Annual Report by September 30, 2015.
4. The DWB and the NMFA will review and update the Memorandum of Understanding (MOU) to clarify roles and responsibilities and ensure efficient program implementation and collaboration.
5. The DWB and NMFA will ensure supplemental conditions are up to date with the annual appropriation guidance.

F. NMFA Long Term Goals

1. NMFA will monitor its loans to mitigate any loan defaults.



2. The NMFA will ensure that at least 90% of projects will complete installation/construction within two years of closing the loan.
3. NMFA will ensure the DWSRLF will be a perpetual funding source with fiscal integrity to support PWSs in the State as shown by the cash flow model.

G. NMFA Short Term Goals

1. The NMFA will provide at least 20% of all loans (contingent on Fundable Priority List) in SFY 2016 from the FFY 2015 Capitalization Grant as low-cost loans to PWSs in disadvantaged communities for eligible projects, as allowed by the SDWA.
2. Provide at least 20% of all loans to small PWSs in the State and in SFY 2016.
3. The NMFA will execute four binding commitments during SFY 2016, dependent on Fundable List.
4. The NMFA will close loans on all four binding commitments during SFY 2016.
5. The NMFA will approve drawdowns on more than \$15 million on planning, design and construction projects during SFY 2016.
6. The NMFA will approve requisitions from loan entities within 10 calendar days of complete submission to both NMED Construction Programs Bureau and the NMFA.
7. The NMFA will review the subsidy distribution process to better reflect public health priorities and other measures used for the establishment of the Fundable Priority List.
8. The NMFA will allocate an increased percentage of the loan portion of the 2015 Federal Capitalization Grant of \$8,845,000 and State Match of \$1,769,000 that utilizes the DWB banked set aside funds from Small Systems Technical Assistance and State Programs, in addition to \$1,158,545 of FFY 2010 and FFY 2011 set aside funds for a combined total allocation of \$11,772,545 within SFY 2016. The NMFA will ensure that all appropriate federal requirements are addressed in each loan agreement (ex: Suspension and Debarment, Buy American, etc.).
9. The NMFA will continue to keep the EPA current on the status of its audit findings including at the SFY Annual Program Evaluation Review.
10. NMFA will review the Operating Agreement with EPA and submit the proposed revisions to the EPA this State Fiscal Year dependent on the MOU with NMED DWB.
11. NMFA will enter into binding commitments with entities equal to 120% of the Capitalization grant (equivalent of the federal and state funds in the Capitalization Grant) in SFY 2016.



IV. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

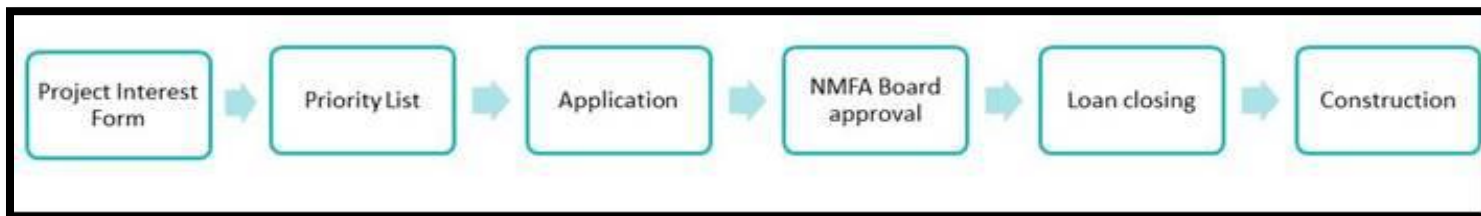
New Mexico financially structures the DWSRLF to maximize the annual Capitalization Grant to support public water systems through the loan fund and set asides while ensuring the longevity of a sound revolving loan fund. In SFY 16, New Mexico opts to utilize 19% of the Federal Capitalization Grant award available to set asides (see section VI. Set-aside Activities). The remaining 81% for SFY 2016 is available as the loan fund and the full 20% State Match will equal just over \$8 million. Additionally, NMFA receives about \$5 million of repayment funds each fiscal year in loan and interest repayments. For SFY 2016, it is anticipated that New Mexico will have roughly \$30 million to support New Mexico PWSs. New Mexico has opted to provide subsidy to water systems and will provide up to 30% of the 2014 Capitalization Grant as subsidy (see Section C. Subsidy).

A. Distribution of Funds Analysis

The NMFA will fund the DWSRLF projects using the priority system established by the DWB. The State prefers to fund projects on the Annual Priority List, as updated quarterly, in rank order, but reserves the right to by-pass certain projects, using a by-pass procedure, as described below in Section IV. I. In such an instance, a lower ranked project may be funded over a higher ranked project if the higher ranked project meets the by-pass screening criteria. The NMFA will limit DWSRLF awards so that total loans to any one borrower do not comprise more than 20% of the cumulative value of the loan fund.

A PWS is eligible for DWSRLF project assistance if it is a privately or publicly owned community water system or a non-profit non-community PWS (40 CFR 35.3520). Priority point assignment and listing on the Fundable Priority List do not guarantee that a project will meet all financial and project eligibility requirements and will result in project funding. Questions regarding the ranking process or the development of the Fundable Priority List should be directed to the DWB at (505) 476-8620 or toll-free at (877) 654-8720. Questions on financial eligibility or the loan application process should be directed to the NMFA, who can be reached at: (505) 984-1454 or toll free at (877) 275-6632.

The following narrative is an overview of the DWSRLF project screening process. It is important to understand that the screening processes will occur in a phased approach. The State's project screening process is initiated and implemented in the following manner:



1. On a SFY quarterly basis, the DWB will notify all eligible PWSs of the availability of DWSRLF Project Interest Form (PIF), which allows interested PWSs to identify proposed projects for inclusion in the DWSRLF Comprehensive Priority List. Interested systems can call the Community Services Team for assistance, may fill out a PIF and send either through the water infrastructure portal at <http://swim.nmenv.state.nm.us/SWIM/index.php>, or send a hardcopy via US Mail;
2. The PWS must submit supplemental documentation so that DWB can perform a capacity assessment, review project readiness, and the system's fundability for the loan amount being requested for PWSs that have submitted a PIF;
3. PWSs that submit PIFs and all required supplemental documentation will have their projects prioritized through DWB's established ranking criteria and be included on the multi-year Comprehensive Priority List updated **August 1, 2015** and updated as scheduled below. PWSs can stay on the Comprehensive list for up to **three years** receiving capacity assistance to satisfy Fundable List requirements;

DWB will accept PIFs all year long and rank projects on established ranking criteria on a **quarterly cycle** and perform capacity assessments of the water system's technical, managerial, and operational financial abilities during the same quarter of the PIF request. If the PWS is determined to have adequate capacity and the project is determined ready to proceed within 6 months, the DWB will screen PWSs financial documents to validate fundability for the loan amount requested and recommend that NMFA perform a preliminary financial analysis of the PWS's ability to take on a loan of the requested amount in order to be added to the Fundable Priority List. If the water system can afford the loan, they will be moved from the Comprehensive Priority List to the Fundable Priority List (Appendix A) which shall be published on the NMFA's and NMED's websites for the full quarter. Deadlines for PIF submission are provided in the table below:

Deadline	SFY 16 Annual Priority List	Quarter 2 List Update	Quarter 3 List Update	Quarter 4 List Update	SFY17 Annual Priority List
Project Interest Forms submitted by	April 1, 2015	September 1, 2015	December 1, 2015	February 1, 2016	March 1, 2016
Required supplemental documents submitted by	April 15, 2015	September 30, 2015	December 30, 2015	March 2, 2016	March 30, 2016
Final Priority Lists Published on	August 1, 2015	November 1, 2015	February 1, 2016	May 1, 2016	August 1, 2016

4. The NMFA will work with PWSs for maximum of **45 days each quarter** from the publishing of the updated quarterly Fundable Priority List **to submit a loan application**. For SFY 2016 Quarter 1, the applications will be due on September 14, 2015. After receiving the application, the NMFA staff will perform a detailed financial analysis of the



PWSs' ability to take on a loan. If the entity is deemed credit worthy, then NMFA staff takes the loan to the NMFA Board for approval. After NMFA Board approval, NMFA staff will mail a **binding commitment letter** to the entity. The binding commitment letter is an EPA requirement to provide the entity with the terms and amounts of the loan and the ready to proceed items needed to close the loan.

5. Once approved by the NMFA Board for funding, the applicant will **have six months to provide necessary documents**, as determined by NMFA, to close the loan. If a PWS does not submit the required documentation within the six month timeframe, then NMFA's commitment to fund the project may be withdrawn or extended at the sole discretion of the NMFA. In **no instance** will the commitment to fund a project **exceed eight months from the date of the NMFA Board approval**. Once the loan is closed, the borrower has **two years to complete construction**. On a case by case basis, the NMFA Board may approve a longer construction period. Applicants not meeting this timeframe will be removed from the Fundable Priority List and placed on the Comprehensive Priority List. Once the PWS completes the necessary documents, the PWS may be eligible, based on an analysis by NMED and NMFA, to be placed on the updated quarterly Fundable Priority List; and
6. To be eligible for a loan from the DWSRLF, PWS projects must:
 - a. be on the Fundable Priority List;
 - b. submit a loan application to the NMFA;
 - c. submit a letter of approval from USDA for DWSRLF debt parity (if applicable); and
 - d. be found by the NMFA to be credit-worthy (40 CFR 35.3555(c)(2)(i)).

Each PWS currently unable to meet the criteria for inclusion on the Annual Priority List, or on the quarterly update of this list, will receive follow up from the DWB capacity program staff explaining any deficiencies that prevented its inclusion, including recommended steps for addressing such deficiencies. The DWB expects to use the resources of the Set-Asides to assist such PWSs in increasing their capacity should they accept the offer for assistance. Thus, these PWSs potentially will be able to meet all eligibility requirements for the DWSRLF in the future.

The DWB and NMFA will supplement this IUP quarterly to add/subtract projects on the Fundable Priority List based on the criteria described above or by the request of the applicant.

The State of New Mexico will publish the Fundable Priority List for the duration of the quarter. The Fundable Priority List will be published at <http://www.nmfa.net> and <http://www.nmenv.state.nm.us/dwb>. Below is a breakdown of the quarters and dates for posting:

Quarter 1	August 1 to October 31, 2015,
Quarter 2	November 1 to January 31, 2015



Quarter 3	February 1 to April 30, 2016
Quarter 4	May 1 to July 31, 2016

If a PWS has submitted its application but does not want to go to the board to receive a binding commitment letter in the quarter it submitted the application, the PWS will stay on the Fundable Priority List but will be automatically by-passed if no new information or action is done by the applicant. In such instances, **the PWS may stay on the Fundable Priority List for three consecutive quarters being taken off the Fundable Priority List the fourth quarter and placed back on the Comprehensive List.** Once the PWS is ready to go to the board to receive a binding commitment letter, the PWS will be evaluated by the DWB and the NMFA, for the updated quarterly Fundable Priority List.

B. Disadvantaged Community Program

The NMFA is directed by the DWSRLF Act (Laws of 1997, Chapter 144) to establish, with the assistance of the DWB, procedures to identify affordability criteria for disadvantaged communities and to extend a program to assist such communities. The disadvantaged community programs offered to New Mexico PWSs are designed to maximize the eligibility of disadvantaged communities. NMFA provides by policy two levels of disadvantaged status, disadvantaged and severely disadvantaged.

- **Disadvantaged communities** benefit from a 0% interest rate on the first \$600,000 of their loans, and when provided for in Capitalization Grants subsidy in the form of principal forgiveness up to 50% of the loan (see C. Subsidy below).
- **Severely disadvantaged communities** benefit from a 0% interest rate on the first \$600,000 of their loans, and when provided for in Capitalization Grants subsidy in the form of principal forgiveness up to 75% of the loan (see C. Subsidy below). Severely disadvantaged loans are eligible for terms up to 30 years.

The NMFA utilizes two tests to determine the economic status of a community served by a water system, the percentage of the state's Median Household Income (MHI) and the community's affordability ratio. For communities to qualify as disadvantaged or severely disadvantaged they must pass both tests.

- **Median Household Income (MHI)** - Disadvantaged and severely disadvantaged communities are communities whose MHI is below 90% of the State's MHI. MHI is determined by the NMFA through Census data.
- **Affordability Ratio** is calculated by dividing projected average annual user charges upon the completion of the proposed project by the MHI of the community. A disadvantaged community will have an affordability ratio between 0.01 and 0.015. A severely disadvantaged community will have an affordability ratio above 0.015.



C. Subsidy

The NMFA intends to provide subsidies to its DWSRLF borrowers when required by the EPA as part of its Capitalization Grant and from time to time as provided for under CFR §35.3525(b). The FFY 2015 Capitalization Grant requires a minimum not less than 20% but not more than 30% subsidy and at the state's discretion may offer subsidy for green infrastructure projects. New Mexico has opted to provide up to 30% of the 2015 Capitalization Grant as subsidy capitalized from federal funds at \$8,845,000. The total amount of available subsidy including Federal (\$2,653,500) and State (\$769,130) monies is equal to \$3,422,630 from the FFY 2015 Capitalization Grant. The state is updating the subsidy provided to address the high amount of assistance requested from severely disadvantaged communities of the Fundable List on the SFY 2016 first quarter fundable list.

Any subsidy not awarded will roll over to the next quarter fundable list. **Subsidy is based on available amounts and PWSs are not guaranteed subsidy as part of the loan package.** If a PWS is ranked below the available subsidy amounts, or not classified as disadvantaged or severely disadvantaged, they may not receive subsidy. If an entity that was awarded subsidy does not close its loan, or returns unutilized subsidy at the end of the construction period, the subsidy will be available to new entities on the current quarterly fundable list. The current DWSRLF Loan Management Policies provide subsidy to projects in the form of principal forgiveness using the following guidelines when funds are available:

1. Applicants required to documents its compliance with Davis Bacon Wage Act will be offered a 25% subsidy.
 - a. Disadvantaged PWSs undertaking construction are provided an additional 25% principal forgiveness (e.g., 25% EPA regulations principal forgiveness plus 25% disadvantaged principal forgiveness, for a total of 50% principal forgiveness).
 - b. Severely disadvantaged PWSs are provided an additional 50% principal forgiveness (e.g., 25% EPA regulations principal forgiveness plus 50% severely disadvantaged principal forgiveness, for a total of 75% principal forgiveness).
2. "Green projects" include green infrastructure, water conservation, energy efficiency improvements, or other environmentally innovative activities. Green projects that are 100% green will be provided with an additional 25% principal forgiveness. Projects not considered "categorically green" (projects that clearly support the intent of the GPR, such as water meters, rain gardens, green roofs, and alternative energies such as solar panels and other water and energy efficiency infrastructure for new facilities) will require a Business Case Explanation to support the need for the project and to describe how it meets the GPR requirement for water and/or energy efficiency. GPR projects and their Business Cases, where required, are submitted to the NMED and posted on the DWB's and NMFA's websites at: <http://www.nmenv.state.nm.us/dwb/> and <http://nmfa.net>, respectively.
3. No project will receive more than 75% in total principal forgiveness.



4. To the extent possible, the NMFA will use subsidy through the Capitalization Grant to help entities that are disadvantaged or severely disadvantaged that could not otherwise afford DWSRLF loans. PWS that are disadvantaged or severely disadvantaged are considered communities that could not otherwise take on a loan. PWS considered disadvantaged or severely disadvantaged will be given priority in the allocation of subsidy and to provide incentive to undertake projects that meet other priority EPA goals.

Under current policies there is not a maximum amount of subsidy that can be provided to any one entity, other than the limit on available subsidy dollars.

D. Low Interest Loans

The NMFA has established low interest rates for the DWSRLF program to promote a low-cost viable source of money to address drinking water projects in the State. The NMFA will provide loans with interest rates ranging from 0% to 4%, depending on a PWS's ownership and its MHI. If a PWS is publicly owned, then it is eligible to receive a DWSRLF loan at 0%, if it is considered disadvantaged as described above, or 2%. The NMFA charges a 3% market interest rate to privately-owned non-profit PWSs and 4% to privately owned for-profit PWSs. These rates are set by the NMFA Board of Directors and may be reviewed periodically.

E. Small System Support

The DWSRF rules state that "of the total amount available for assistance from the Fund each year, a State must make at least 15% available solely for providing loan assistance to small systems to the extent such funds can be obligated for eligible projects." The State will provide at a minimum 15% of available loan funds for small PWSs (defined as water systems serving populations of 10,000 or fewer). Currently, the NMFA has provided 29.4% of the total value of its loans to PWSs with populations of 10,000 or fewer. The NMED with the support of NMFA reaches out to these communities on funding and assistance opportunities at different statewide conferences held by organizations such as the NM Municipal League, NM Association of Counties, NM Rural Water Association, or at the NM Infrastructure Finance Conference. The NMFA is striving to meet the needs of small PWSs in the State and in SFY 2016 looks to provide up to 20% of all loans to these small PWSs based on Fundable Priority lists.

F. Capacity Assessments and Project Reviews

The SDWA requires that a PWS applying for a DWSRF loan must demonstrate that it has the technical, managerial, and financial capacity to undertake the project. If a system does not have adequate capacity, assistance will be provided to help the system achieve capacity. Assistance is used to support viable systems with long-term sustainability and should not be directed toward non-viable systems.

The DWB also reviews project documents to assess if regulatory requirements have been met and if construction is possible in approximately 6 months. DWB reviews the project documents



to assist NMFA’s preliminary debt capacity determination by screening financial documents to estimate if the system can afford the requested project loan amount.

The capacity assessments are completed for all PWSs that submit a Project Interest Form and supplemental documentation to be evaluated for the following:

- **Technical Capacity** – PWSs must demonstrate that drinking water sources are adequate, that the system’s source, treatment, distribution and storage infrastructure are adequate and that personnel have the technical knowledge and documentation to efficiently operate and maintain the system and have the technical capacity to operate and maintain all system improvements planned with project funding requests.
- **Financial Capacity** – PWSs must demonstrate that they have sufficient revenues to cover necessary costs, adequate fiscal controls, and engage in financial planning and asset monitoring to include savings for emergencies, routine maintenance and long term capital improvements. This financial capacity assessment is the same for systems with or without a proposed project. When the assessment is triggered by a PIF, DWB will also screen project cost documents and loan amounts to include in the debt capacity review as described above.
- **Managerial Capacity** – PWSs must show that management has written policies and procedures in place that outline water system management structure and function as well as their responsibilities in overseeing operations, meeting compliance requirements with all applicable state agencies such as New Mexico Office of the Attorney General, Office of the State Auditor, Department of Finance and Administration, and the Taxation and Revenue Department , response for emergencies, transparency and accountability to customers, and plans for future needs of the water system.

G. Project Prioritization

The DWSRF rules state that an IUP must include a priority system for ranking individual projects for funding and that the prioritization should (i) address the most serious risk to human health; (ii) ensure compliance with the requirements of the SDWA; and (iii) assist PWSs most in need, on a per-household basis, according to State affordability criteria. The State’s project ranking system is found in Appendix B and is utilized for both the Comprehensive and Fundable Lists.

A Comprehensive Priority List of ranked projects is required in an IUP and is, according to the DWSRF, a “list of projects that are expected to receive assistance in the future.” All PWSs that submit a PIF for a DWSRF eligible project and all required supplemental information are placed on the Comprehensive Priority List. Projects will remain on the Comprehensive List until making the Fundable Priority List or three (3) years, whichever is sooner. Systems are allowed the flexibility to adjust project scopes as needed on the comprehensive list. The DWB will provide capacity development assistance to those on the Comprehensive List in order to help them become eligible for the Fundable Priority List.



A Fundable Priority List is also required in an IUP which, according to the DWSRF, is a “list of projects that are expected to receive assistance from available funds designated for use in the current IUP.” PWSs on the Comprehensive Priority List that meet the following three criteria are placed on the Fundable Priority List each quarter:

- 1) PWS has the technical, managerial and financial capacity to operate and maintain the new infrastructure in compliance with drinking water and other applicable state regulations;
- 2) the project is ready to proceed, such that completion of project planning, design, regulatory approvals and environmental review will be complete and ready for construction within 6 months of placement on the Fundable List; and
- 3) financial ability to repay a loan as screened by DWB and fully analyzed by NMFA. After placement on the fundable list, the system’s financial ability to repay a loan will again be determined by NMFA after the loan application has been submitted.

PWSs whose projects do not qualify for the Fundable Priority List will be notified with an explanation of deficiencies and an offer for direct capacity assistance. If a project meets the Fundable Priority List criteria and DWSRLF has funds available, the project will be added to the next quarterly Fundable Priority List.

H. Tie Breaking Procedure

When two or more projects score equally under the project priority ranking system a tie breaking procedure will be used. The project with the smallest number of existing customers served will receive the higher ranking.

I. Bypass Procedure

The DWB and the NMFA expect to fund the projects on the Fundable Priority List in order of rank, but reserve the right to bypass certain projects using the by-pass procedure. The State reserves the right to fund lower priority projects over higher priority projects, if in the opinion of the DWB or the NMFA, the higher priority project does not meet the application requirements described in Section IV specifically, if the PWS did not submit its application in the allowed 45 days to NMFA. The State further reserves the right to by-pass certain projects if during the quarter there is no financial impact to the by-passed PWS, i.e. the available subsidy is fully allocated and there is adequate reserves to fund all projects on the fundable list.

Emergency Condition Unforeseen or unanticipated conditions that impact the source, treatment, storage, or distribution of an eligible PWS that will have a direct impact on public health may constitute an emergency condition. The emergency must be declared by the Governor of New Mexico or a Cabinet Secretary. A proposed project must specify any such emergency conditions in its application. Such emergency projects will be identified in the Annual Report.



J. Refinancing Existing Loans

Loan Refinancing is an allowable use of the DWSRLF since certain high cost debt can hinder essential new water improvement projects and limit the long-term financial health and capacity of the water system. By law, the low cost loans offered through the DWSRLF are available to refinance existing loans under very limited circumstances.

The NMFA is able to refinance existing loans if:

- The refinancing occurs in connection with a “new money” project;
- The loan proposed for refinancing must have been originated no earlier than 1993;
- The project financed by the original loan must have undergone a public review process that is consistent with the SERP, including concurrence by all requisite state and federal consulting agencies;
- The environmental effects of the project must have been analyzed and studied in a manner consistent with the SERP; and
- The project financed by the original loan must have been used for a purpose consistent with the eligible purposes defined by federal regulation and must have complied with all applicable state and federal regulations.

Please note that private entities are not eligible for loan refinancing.

K. DWSRLF Project Funding Summary

Using the criteria and processes as set forth in this IUP, the NMFA will proceed through the quarterly Fundable Priority Lists until it has identified PWSs that have applied for DWSRLF funding for projects that are sufficient in cumulative value to utilize the funds that will be deposited in the DWSRLF during the SFY relating to the effective IUP. Loans will be executed when the environmental review, financial requirements, and all other obligations of the applicant have been met. Any future amendments to the NMED Priority System will be considered to appropriately reflect the changing character of the DWSRLF program and will be published in the subsequent annual IUP.

L. Compliance with Special Grant Conditions

The State of New Mexico strives to comply with all grant conditions set forth in the Capitalization Grant agreement. The FFY 2015 Capitalization Grant agreement has not been awarded at this date, but the State of New Mexico will comply with all requirements including but not limited to: Davis Bacon Wage Act, Federal Crosscutters, Signage, and American Iron and Steel. All the financial agreements entered into by PWSs and NMFA contain the language found on Appendix G satisfying the grant conditions compliance.

Davis Bacon Wage Act



It is a requirement that recipients of SRF funding comply with 40 CFR Part 31 and the full language of the Federal appropriation contained in the Annual Capitalization Grant, the Davis Bacon Act wage determinations and the U.S. Department of Labor's implementing regulations. The Department of Labor provides all pertinent information related to compliance with labor standards, including prevailing wage rates and instructions for reporting. The requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) shall apply to any construction project carried out in whole or in part with assistance made available as authorized by section 1452 of that Act (42 U.S.C. 300j-12).

Federal Crosscutters

There are a number of federal laws, executive orders, and federal policies that apply to projects and activities receiving federal financial assistance, regardless of whether the federal laws authorizing the assistance make them applicable. These federal authorities are referred to as crosscutting authorities or crosscutters. The crosscutters apply to projects and activities whose cumulative funding equals the amount of the SRF Capitalization Grants. All projects assisted with funds equivalent to the amount of Capitalization Grants must comply with the crosscutter requirements.

The crosscutters can be divided into three groups: environmental; social policies; and, economic and miscellaneous authorities.

- Environmental crosscutters include federal laws and executive orders that relate to preservation of historical and archaeological sites, endangered species, wetlands, agricultural land, etc. This crosscutter requirement includes a National Environmental Policy Act-compliant environmental review.
- Social policy crosscutters include requirements such as minority and women's business enterprise participation goals, equal opportunity employment goals, and nondiscrimination laws. This crosscutter requirement includes compliance with the Disadvantaged Business Enterprise program, as stated in the loan agreement.
- Economic crosscutters directly regulate the expenditure of federal funds such as the prohibition against entering into contracts with debarred or suspended firms, and the American Iron and Steel provision.

A complete list of crosscutting authorities can be found at the EPA web site www.epa.gov/safewater/dwsrf/xcuts.html

American Iron and Steel

For all new contracts, the borrower shall comply with all federal requirements applicable to the Loan (including those imposed by the 2014 Appropriations Act and related SRF Policy Guidelines) which the borrower understands includes, among other, requirements



that all of the iron and steel products used in the Project are to be produced in the United States (“American Iron and Steel Requirement”) unless (i) the borrower has requested and obtained a waiver from the Finance Authority pertaining to the Project or (ii) the Finance Authority has otherwise advised the borrower in writing that the American Iron and Steel Requirement is not applicable to the Project.

Signage- New this SFY is a signage requirement tied to the capitalization grant. This will require compliance by the recipient with the SRF Signage Guidance in order to enhance public awareness of EPA assistance agreements nationwide.

V. FINANCIAL MANAGEMENT

A. Sources and Uses of Funds

State Match Source

The SDWA requires states to provide a 20% match to the Capitalization Grants received from the federal government. The required State’s match is \$1,769,000. The SFY 2016 State’s match was secured prior to the Capitalization Grant from the New Mexico legislature senate bill 552. The state’s match is transferred from the PPRF to the loan fund once signed by the governor, before the federal funds are available.

Appendix D summarizes the sources and uses of funds.

Fee Income

The NMFA charges its borrowers a cost-of-issuance fee to cover the legal and closing costs of each DWSRLF loan. This 1% fee is included in the loan as principal and is held in an account outside of the DWSRLF. In addition, the NMFA builds into its DWSRLF loan interest rates a 0.25% administrative fee that is assessed on the outstanding principal balance of each loan. For disadvantaged system borrowers whose loans carry a 0% interest rate, the NMFA charges a 0.25% administrative fee, making the effective interest rate of a 0% loan 0.25%. These administrative fees are held outside of the DWSRLF and are used to pay the NMFA’s overhead costs and other program administration costs, not funded by the 4% Administration Set-Aside. Administrative fees are used for eligible purposes under 40 CFR §35.3530(b)(2) and assessed cost-of-issuance fees included as principal in loans are used in accordance with the limitations set forth in 40 CFR §35.3530(b)(3)(i)–(iii).

Leveraging

The State of New Mexico does not currently leverage the DWSRLF. With the increase in demand for DWSRLF and with pending federal reductions to the DWSRF, NMFA is currently researching best practices for leveraging the program.



Use of All Funds Available

The source and uses of the DWSRLF is presented in Appendix D. New Mexico anticipated the loan fund to be capitalized from federal the 2015 Capitalization Grant at \$8,845,000 with 81% going to the loan fund and 19% being used for set asides activities. The loan fund will also be capitalized from the 20% match state funds at \$1,769,000. The Federal and State Match portion of the loan fund from the 2015 Capitalization Grant is equal to \$8,933,450. Additionally, in SFY 2016 loan repayments of \$5,320,616 combined with a transfer of \$1,158,545 from the FFY 2010 and FFY 2011 set-asides will be available for a total of \$15,472,611 available to lend in SFY 2015.

Annually, Congress has the right to require additional subsidy to be used to help fund federal priorities. NMFA is anticipating that up to 30% or \$3,308,685 of the 2015 Capitalization Grant and the State Match of the DWSRF funding legislation will be additional subsidy in the form of principal forgiveness. This subsidy will allow for the pace of recent lending to continue, while maintaining the financial perpetuity of the revolving loan fund (see Section IV. regarding the use of subsidy).

B. Financial Terms of Loans

Section IV details the financial terms of loans. All loans are provided to entities at below market rates according to the type of water system. The table below provides the interest and terms associated with a type of PWS.

<u>Community Economic Status</u>	<u>Interest Rate</u>	<u>Terms</u>
Regular*	2%, 3%, 4%	up to 20 years
Disadvantaged	0% on first \$600,000, regular rate for remainder	up to 20 years
Severely Disadvantaged	0% on first \$600,000, regular rate for remainder	up to 30 years
* Public systems receive 2%, private non-profit systems receive 3%, and for-profit systems receive 4%.		

From the date of closing, the entities have up to two years to draw its awarded DWSRLF funds on a reimbursement basis. During this time, the entity will pay interest and administration fees only on amounts drawn for incurred costs. Once the project has been certified complete an amortization schedule is finalized, and the system begins making monthly principal and interest payments on the loan.



C. Loan Disbursements

As of June 30, 2015, the State of New Mexico has closed on 90 loans totaling over \$160.6 million. The loans are made in accordance with policies and are prorated between federal and state funds.

D. DWSRF-CWSRF Fund Transfers

The State of New Mexico reserves the right to transfer up to 33 percent of the DWSRF Capitalization Grant to the CWSRF, or an equivalent amount from the CWSRF to the DWSRF. New Mexico does not anticipate utilizing this right in SFY 2016.

E. Financial Planning

NMFA uses a cash flow model as its financial plan. The modeling is updated annually with quarterly reviews as new projects are placed on the fundable list. The goal of the financial planning is to ensure fund perpetuity. NMFA can confirm the funds perpetuity through SFY 2035 using historical averages of loan origination.

F. Cash Draw Proportionality

New Mexico uses the proportionality ratio of 80.198% federal fund per draw to 19.802% State's match.

NMFA established this ratio by the formula below. In SFY 16, New Mexico will take 19% of set asides to fund state programs and administration functions. The proportionality ratio formula is as follows:

$$\text{State Match Cash Draw Ratio} = \left(\frac{\text{FCG (20\%)}}{\text{Total loan fund}} \right)$$

$$\text{Federal Cash Draw Ratio} = 100 - \text{State Match Cash Draw ratio}$$

*FCG= Federal Capitalization Grant Loan Allocation

See Appendix H: Cash Draw Ration and Grant Payment section for more information.

VI. SET-ASIDE ACTIVITIES

A summary of the financial status and Set-Aside Expenditures is provided in Appendix E.

A. DWSRLF Administration (4%)

The SDWA authorizes states to provide funding for DWSRF administration as a Set-Aside activity. The NMFA will reserve and specify 4% of the FFY 2015 Capitalization Grant for the Administration Set-Aside in an amount totaling \$353,800. Administration of New Mexico's



DWSRLF program is delegated by state statute to the NMFA. The administration set-aside will be used to pay for salaries for staff working on the DWSRLF and conducting activities that include reporting, payment processing, pre-application activities; application review; engineering, construction and environmental review; portfolio, audit, and cash management; and financial management. DWSRLF programmatic administration costs also include contractual technical services for engineering and construction oversight, environmental reviews, and legal fees associated with closing DWSRLF loans.

B. Small Systems Technical Assistance (2%)

The SDWA authorizes states to use this Set-Aside to support a state technical team or to support contracts with outside entities and individuals in order to provide technical assistance to achieve the compliance levels required for an SRF loan. Due to high unliquidated obligation balances and the current expenditure rate of this set-aside the DWB will bank 2% of the FFY 2015 Capitalization Grant for the Small Systems Technical Assistance Set-Aside totaling \$176,900. The DWB will use open Capitalization Grants Small Systems Technical Assistance set-asides from FFY 2012 and 2013 and 2014 to respond to requests from small water systems directly or from compliance staff recommending a water system for assistance with compliance violations. Staff will target small water systems for assistance with a technical assessment for those that have administrative orders, are ranked at the top, or have remained for multiple quarters on the list of non-compliant water systems generated by EPA's Enforcement Tracking Tool (ETT). State Program Management (10%)

The SDWA authorizes states to use this Set-Aside to address additional program requirements of the Public Water Supply Supervision Program. Due to high unliquidated obligation balances and the current expenditure rate of this set-aside the DWB will bank 10% of the FFY 2015 Capitalization Grant for the State Program Management Set-Aside totaling \$884,500. This Set-Aside requires a one-to-one state match beyond the 20% state match for federal Capitalization Grants. New Mexico has provided this match through the Water Conservation Fee Fund as described in Appendix C. The DWB will use open Capitalization Grants State Program set-asides from FFYs 2013 and 2014 to support PWS Supervision programs.

Public Water System Supervision Program

The State Program Management Set-Aside will be used, in part, to support the Public Water System Supervision (PWSS) program. The activities planned to support the PWSS program include providing administrative support for the DWB staff, conducting sanitary surveys to assess the needs and deficiencies of PWSs, implementing new and enforcing existing rules and regulations, providing an immediate response to confirmed acute contamination events and PWS problems that may impact public health.

Operator Certification Program

The State Program Management Set-Aside will be used, in part, to fund administration activities such as, attending meetings, developing need to know requirements for regulation updates,



and support certification of operators through the Utility Operator Certification program (UOC). The NMED has authority to administer the UOC program pursuant to the SDWA. The UOC program is organizationally located in the Facility Operations Team of the NMED Surface Water Quality Bureau (SWQB). The DWB coordinates reviews and oversees the SDWA components of the UOC program administration in conjunction with the SWQB.

Set Aside Administrative Support

The State Program Management Set-Aside will support the administrative requirements of the DWB such as developing the grant application, priority lists, planning documents, required quarterly and annual reports, and any other documentation required to support the grant process.

C. Local Assistance and Other State Programs (15%)

The Local Assistance and Other State Programs Set-Aside is used to support three DWB programs: the Technical Services Program, the Community Services Program, and the Source Water and Wellhead Protection Program. The DWB will reserve and specify 15% of the FFY 2015 Capitalization Grant for the Local Assistance and other State Programs Set-Aside totaling \$1,326,750.

Technical Services Program

The Technical Services Team under the Local Assistance Set-Aside will assess technical capacity of water systems in terms of infrastructure adequacy of the treatment, storage, pumps and distribution. This team will assist water systems' certified operators with technical knowledge on system operations, maintenance, monitoring and reporting requirements. This team will also assist water systems in identifying and prioritizing any limiting technical issues the water systems may be struggling with to strengthen the sustainability of the PWS. The Technical Services Team will be re-establishing an active Area-Wide Optimization Program (AWOP) for New Mexico in order to target higher risk systems for assistance and to improve the overall performance of surface water treatment plants. This program will also assess the technical capacity of systems to handle proposed projects and review technical documentation for estimates of construction readiness.

Community Services Program

The Community Services Team will assist water systems to develop managerial and financial capacity as well as provide direct funding assistance. The team will review all managerial and financial DWSRLF supplemental documents, current rate structure, financial resources and managerial framework required to maintain financial capacity.

Financial assessments and assistance will be provided when necessary to bring capacity to a level where sufficient resources allow the system to maintain compliance with the SDWA and other state regulations, maintain revenues that support savings for emergencies and



replacement costs, and to become fundable through the DWSRLF for infrastructure development.

Managerial capacity is assessed to determine ownership accountability through governance documents, water system board/oversight functionality, and current management plans. This managerial assessment will also review staffing and organization to ensure the system is meeting requirements. Managerial assistance varies from board operation trainings on complying with state regulations to individual attention and review of management plans.

Funding assistance from the Community Services Team includes providing information on the DWSRLF and project funding options, timelines, eligibility requirements, and guidelines. This team will work with PWSs after submitting a PIF, and hold general funding training sessions that will be open for any interested water systems to learn more and become encouraged to apply for funding.

Source Water and Wellhead Protection Program

The Source Water and Wellhead Protection Team incorporates the goals of both the historical wellhead and source water protection programs. The DWB has significantly increased the role of this program by establishing a three person team to define and prioritize source water protection needs in New Mexico. The team will be inventorying assessments and protection plans already in place and targeting assistance to water systems that are out of compliance with maximum contaminant levels, are threatened by actual contaminant sources, or are experiencing sustainability challenges, and have an out of date plan or do not have a source water protection plan at all.

This team will develop methods for regional source water assessments, especially in regions dealing with common contamination issues, in order to promote planning on a regional level and encourage technical, managerial, and financial cooperation between water systems. The goal of this cooperation is to identify and promote the most cost-effective solutions to similar source water contamination problems in regions. The team will continue utilizing advanced assessment methods to include electronic spatial analyses on a larger scale by utilizing ARC GIS as an essential tool in the development of a regional assessment and allows for PWSs to individually update their own assessment with online access.

Since source water protection plans are a voluntary responsibility for water systems under the SDWA, this team will also focus on public outreach and education demonstrating the importance of source water protection planning, promoting successful protection plans, and encouraging cooperation with other agencies that can provide expertise and assistance in accomplishing the community's goals in protecting the local sources of drinking water.



VII. PUBLIC PARTICIPATION

To ensure the public has an opportunity to review and provide input on the IUP, the draft IUP will be made available to the public through notifications in at least three major newspapers and posting to both the DWB website at <http://www.nmenv.state.nm.us/dwb> and NMFA's website at <http://nmfa.net>. The public comment period will be open for a minimum of 30 days. A summary of the comments received will be included as part of Appendix F in the final version of this IUP. NMFA and NMED will post the updated IUP posted on their respective websites for 30 days and is asking the public to submit written comments by July 27, 2015.

VIII. AUDITS AND REPORTING

To ensure transparency and accountability the State agrees to submit an Annual Report and Annual Audit to the EPA Region VI on the actual uses of funds and how the State has met the goals and objectives for the previous fiscal years as identified in the IUP for the previous year. The scope of the Annual Report covers the DWSRLF and all approved Set-Aside activities funded by the DWSRLF program. The Annual Audit covers the financial transactions for the DWSRLF and Set-Aside drawdowns. The NMFA will arrange to have conducted an annual independent financial compliance audit including a signal audit as required of its DWSRLF program in accordance with generally accepted government accounting standards (GAGAs) issued by the Comptroller General of the United States. The audit report will contain an opinion on the financial statement of the DWSRLF; a report on internal controls; and a report on compliance with the SDWA. The audit report will be completed within one year of the end of the SFY that is audited and will be submitted to EPA's Office of Inspector General (OIG) within 30 days of completion.

The NMFA will require DWSRLF recipients to maintain project accounts in accordance with Generally Accepted Accounting Principles (GAAPs). This requirement will be implemented through a condition in the financial assistance agreement reached between the NMFA and the DWSRLF assistance recipient.

The State agrees to enter data into EPA's Project and Benefits Reporting Database (PBR) in accordance with EPA Order 5700.7 Environmental Results Under Assistance Agreement. The State agrees to follow the Federal Funding Accountability and Transparency Act requirements. The State will report annually to the Drinking Water National Information Management System (DWNIMS). The State agrees to comply with the reporting requirements included in the Procedure for the FFY 2013 Appropriation.



IX. AMENDMENTS TO THE PLAN

Revisions to this plan determined to be insignificant and/or minor revisions required for administrative purposes, shall be made by the NMED and NMFA without notification to the public, and will be reported to EPA in the Annual Report. Any material changes in the IUP shall be made in accordance with procedures provided in the NMFA DWSRLF Regulations.



APPENDIX A

New Mexico's

SFY 2016

DWSRLF

Comprehensive and Fundable List



Comprehensive

DWSRLF Comprehensive Priority List (SFY16 Quarter 1)									
Rank	System Name, Number	Score	Population	Designation	County	Disadvantaged Status	Project Description	Requested Funding	Sustn Policy
1	Cuatro Villas MDWCA, NM3533526	56	150	Small System	Santa Fe	Severely	Construction of arsenic treatment facility at two existing Santa Clara wells. Santa Clara will provide bulk water to Cuatro Villas MDWCA to augment its current supply. (NOTE: Project eligibility currently under review by USEPA.)	\$1,393,322	NA
2	Coyote Creek MDWCA, NM3500402	16	213	Small System	Catron	Severely	Addressing EPA Administrative Order for exceedance of uranium, project will acquire and develop new wells or treat existing water source.	\$300,000	NA
3	East Culpepper Flats Domestic Water Consumers Assoc.	14	9	Small System	San Juan	No	Environmental review for 574 Regional Pipeline Connection Project. (Note: Project eligibility under review. Applicant system is not a public water system, but project provides connection to a public water system.)	\$65,000	NA
4	Town of Vaughn, NM3515310	12	790	Small System	Guadalupe	Yes	Vaughn is proposing to complete phase I of the water distribution system improvements. The initial phase will replace the water transmission lines from the Negra Well Field to the existing 400,000 gallon steel storage tank near highway 60. They will reconnect to Encino and Duran water systems that are supplied by water from Vaughn.	\$1,255,000	Fix It First



5	Village of Causey, NM3528122	11	73	Small System	Roosevelt	No	Project includes water system improvements including new booster pump station pumps, emergency generator, and waterline improvements.	\$314,000	Fix It First
6 (tie)	Las Vegas Water System, NM3518025	11	19000	Large System	San Miguel	Severely	New wells and rehabilitation of existing wells at Taylor well field (construction funding)	\$6,630,000	Fix It First
6 (tie)	Las Vegas Water System, NM3518025	11	19000	Large System	San Miguel	Severely	Water line repair and replacement (construction funding).	\$2,410,000	Fix It First
6 (tie)	Las Vegas Water System, NM3518025	11	19000	Large System	San Miguel	Severely	Taylor well field desalination (construction funding)	\$8,100,000	NA
6 (tie)	Las Vegas Water System, NM3518025	11	19000	Large System	San Miguel	Severely	Water distribution upgrades including looping system to provide adequate line pressure for fire hydrants (construction funding)	\$1,900,000	Fix It First
6 (tie)	Las Vegas Water System, NM3518025	11	19000	Large System	San Miguel	Severely	Peterson Dam structural and leak repair (construction funding). Note: Deviation request for project under review by EPA.	\$1,210,000	NA
7	Carrizozo Water System, NM3512614	11	1200	Small System	Lincoln	Severely	The project will plan, design, drill, construct, equip and install a new potable water supply well, complete and ready for service. Rehabilitate two existing wells, including re-casing and screen, downhole piping, pumps, power, electrical controls, water meters, chlorination equipment and well houses.	\$772,000	Fix It First
8	Magdalena, Village of, NM3523528	10	900	Small System	Socorro	Yes	Building & maintenance upgrades to well & pump houses including security fencing, supplemental funding for installation & maintenance of SCADA system.	\$1,000,000	Fix It First



9 (tie)	Eldorado W&SD, NM3537326	10	7350	Small System	Santa Fe	No	SCADA additions (adds SCADA components and remote monitoring capability to 21 pressure reducing stations, and increases monitoring and metering capability at wells, pumps, and tanks)	\$745,500	NA
9 (tie)	Eldorado W&SD, NM3537326	10	7350	Small System	Santa Fe	No	Maintenance and Storage Facility (including utility workshop, garage, and material storage)	\$1,245,300	NA
9 (tie)	Eldorado W&SD, NM3537326	10	7350	Small System	Santa Fe	No	Operations and Administrative Facility (including offices, work areas, customer service counter, meeting and records storage space, and SCADA base and work stations)	\$1,667,382	NA
10	Magdalena, Village of, NM3523528	9	900	Small System	Socorro	Yes	Upgrade antiquated ductile iron water lines in the Village to improve failing infrastructure and address 40% water loss. Project may include updating meters, valves and back flow prevention.	\$750,000	Fix It First
11	Rivera's MDWCA, NM3566510	9	60	Small System	Guadalupe	Yes	Plan, design, and construct waterline replacement and system improvements. The improvements include meters, service lines, and backflow preventers. The project will address concerns with pressure within the system and may include a pressure boosting station, building for the boosting skid, distribution lines, and fire hydrants.	\$527,000	Fix It First
12 (tie)	Las Vegas Water System, NM3518025	8	19000	Large System	San Miguel	Severely	Develop a Comprehensive Gallinas Watershed Restoration Plan in order to provide a long-term supply of high quality water for the City of Las Vegas and surrounding communities.	\$425,000	NA



12 (tie)	Las Vegas Water System, NM3518025	8	19000	Large System	San Miguel	Severely	Effluent water reuse expansion (construction funding)	\$1,950,000	NA
12 (tie)	Las Vegas Water System, NM3518025	8	19000	Large System	San Miguel	Severely	Water treatment plant oxidation system (construction funding)	\$3,210,000	Fix It First
13	Corona, Village of, NM3512714	7	200	Small System	Lincoln	No	Water transmission line reroute project. To plan, design, and construct a new 6" water transmission line from the southwest part of the village to the dual 100,000 gallon water storage tank. This should stabilize pressure imbalances throughout the system.	\$369,709	Fix It First
14	El Creston MDWCA	7	200	Small System	San Miguel	No	Design and construction of water distribution line and water service connections within Upper El Creston service area. (Note: Project eligibility under review. Applicant system is not a public water system.)	\$400,000	NA
15	Cimarron Water System, NM3526204	6	987	Small System	Colfax	Yes	Replace old leaky cast iron service lines.	\$350,000	Fix It First
16	Bloomfield Water Supply System, NM3510124	5	7433	Small System	San Juan	No	Construction of 2MG concrete storage tank	\$1,500,000	Fix It First
17	Alto North Water Coop, NM3513414	3	200	Small System	Lincoln	No	The Coop has two water storage tanks that are deteriorating and need to be replaced. The project will also repair or replace the concrete pad that the tanks are sitting on.	\$55,000	Fix It First



Fundable

****This draft fundable list does not include the anticipated project funding request changes as a result of the Special Legislative Session Capital Outlay Awards in June 2015. Updates to project funding requests due to these awards will be made after the public comment period is complete. ****

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DWSRLF Fundable Priority List (SFY16 Quarter 1)***														
Fundable Ranking	Name Number	Score	Population	Designation	County	Disadvantaged	Project Description	Requested Funding	Anticipated Subsidy	Anticipated Subsidy	Expected Amount of Loan	Interest rate*	SFY 2016 Quarter Subsidy	Sustainability Policy
1	Bluewater WSD, NM3525033	25	450	Small System	Cibola	Severely	The proposed project would include drilling a secondary well, install a pump, provide the electrical and controls for the well and connecting the new well to the existing water system such that water from the new and existing wells is treated for arsenic removal prior to distribution.	\$1,195,029	75%	\$896,272	\$298,757	0%	\$896,272	NA
2	Lower Rio Grande Public WWA, NM3502407	20	9972	Small System	Dona Ana	Severely	Purchase of the Valle Del Rio Water System. Project scope includes system purchase based on appraised value, system upgrades and engineering, and new 165K storage tank	\$1,127,108	75%	\$845,331	\$281,777	0%	\$845,331	NA
3	Estancia Water System, NM3524030	18	2600	Small System	Torrance	Severely	The Town of Estancia would like to drill and develop a new additional drinking water well. One of the town wells is collapsing and cannot be rehabilitated. The well will be located on the town well field and has sufficient water rights.	\$532,000	75%	\$399,000	\$133,000	0%	\$399,000	Fix It First
4	Upper La Plata WUA, NM3510624	17	2265	Small System	San Juan	No	New 200,000 gallon tank and 8" water line loop	\$1,400,000	25%	\$350,000	\$1,050,000	2%	\$350,000	Fix It First
5	Dona Ana MDWCA, NM3554307	16	11214	Large System	Dona Ana	No	Picacho Hills Water System Improvements: this project will install new water tanks, fill lines, and distribution lines. This project will connect a new well to the system	\$3,000,000	25%	\$750,000	\$2,250,000	2%	\$750,000	Fix It First
6	Farmington, NM3510224	12	47000	Large System	San Juan	No	Zone 2P waterline replacement	\$8,160,000	25%	\$2,040,000	\$6,120,000	2%	\$68,082	Fix It First
7	Rio Rancho Water System, NM3509623	11	87000	Large System	Sandoval	No	Re-drill and equip well 13, provide for additional arsenic treatment, and add water storage capacity.	\$13,600,000	25%	\$3,400,000	\$10,200,000	2%	\$0	Fix It First
8	Navajo Dam MDWCA, NM3536724	11	458	Small System	San Juan	Severely	Replacement of manual-read meters with radio-read meters	\$90,000	75%	\$67,500	\$22,500	0%	\$0	NA
9	Eldorado W&SD, NM3537326	10	7350	Small System	Santa Fe	No	New water production well	\$1,314,000	25%	\$328,500	\$985,500	2%	\$0	Fix It First



DWSRLF Fundable Priority List (SFY16 Quarter 1)*** Continued														
Fundable Ranking	Name Number	Score	Population	Designation	County	Disadvantaged	Project Description	Requested Funding	Anticipated Subsidy	Anticipated Subsidy	Expected Amount of Loan	Interest rate*	SFY 2016 Quarter Subsidy	Sustainability Policy
10	Taos Municipal Water System, NM3507529	10	5301	Small System	Taos	Severely	The Town of Taos seeks to developing a 500kW solar PV system to provide alternate power supply to the Town of Taos critical drinking water infrastructure located in the Los Cordovas area south of Town. Specifically, a net-metered solar PV system built on Town of Taos property to supply electrical power to the Town's municipal supply wells(7,8, and 9) and to the towns arsenic treatment plant.	\$1,991,861	75%	\$1,493,896	\$497,965	0%	\$0	NA
11	Tucumcari Water System, NM3528020	9	5400	Small System	Quay	Severely	The project will replace a failed water tank that was part of the drinking water system. The tank has been out of service for two years and need to be replaced. The project will allow the City to blend water from the in town and out of town well fields.	\$1,400,000	75%	\$1,050,000	\$350,000	0%	\$0	Fix It First
12	Jemez Springs Domestic Water Coop, NM3509123	9	1500	Small System	Sandoval	No	Mainline replacement, refurbishment of 8 tanks, and replacement of manual-read meters with radio-read meters	\$947,050	25%	\$236,763	\$710,288	2%	\$0	Fix It First
13	Rio Rancho Water System, NM3509623	8	87000	Large System	Sandoval	No	Booster station at Tank 8 and transmission line from Tank 8 to Tank 13	\$3,000,000	25%	\$750,000	\$2,250,000	2%	\$0	Fix It First
14	Santa Fe Water System, NM3505126	7	78000	Large System	Santa Fe	No	24-Inch dual transmission line, 1 MG storage tank, and PV array	\$8,486,200	25%	\$2,121,550	\$6,364,650	2%	\$0	Fix It First
15	Belen Water System, NM3524932	6	9780	Small System	Valencia	Severely	Water meter replacement: 1. Remove approximately 2900 manually read water meters and install new radio read meters. 2. Remove and replace existing inner meter lid, and install meter pad. 3. Install a new fixed based radio read system at City Hall.	\$1,298,000	75%	\$973,500	\$324,500	0%	\$0	NA
			355,290					\$47,541,248		\$15,702,311	\$31,838,937		\$3,308,685	
The dark line represents expected subsidy allocation limit of \$3,308,685 for SFY16.														
* 0% interest rate applies to the first \$600,000 of the loan. ** Subsidy is shown as anticipated based on availability and is not guaranteed. ***All projects may be utilized to fulfill federal equivalency requirements and FFAATA requirements for the FFY15 Capitalization Grant														



APPENDIX B

RANKING SYSTEM FOR DWSRLF PROJECTS NEW MEXICO'S FY 16 DWSRLF PRIORITY RANKING SYSTEM

All eligible projects will be rated with respect to six categories to determine their ranking and selection for funding under nm's DWSRLF. The categories are as follows:

- Source Water Vulnerability (45 total points)
- Safe Drinking Water Act Compliance (48 total points)
- Affordability (16 total points)
- Regionalization (14 total points)
- Water Efficiency (31 total points)
- Sustainability (16 total points)

The total project score is the sum of the scores for each category.

Source Water Vulnerability	
<u>Inconsistent Water Supply</u> : Project is for rehabilitation or a new source of raw water for drinking water systems that experience water outages or deficiencies in water production as demonstrated by peak demand needs.	12 Points
<u>Improve water quality in areas not currently served</u> : Project extends water service to existing residences that are not currently served by a centralized water system and the local groundwater is contaminated.	8 Points



<u>Backup source</u> : Project includes development of a second potable source of water, such as a backup well or surface water intake.	6 Points
<u>Inadequate water supply</u> : Project supplies future water production needs.	5 Points
<u>Finished Water storage</u> : Project is for additional finished water storage capacity to ensure adequate supply during emergency situations and planned outages (excluding storage requirements for fire flow). Recommended finished water storage should supply the system's demand with water for 2 days of no production. Excess storage capacity where water quality may be impacted should be avoided.	5 Points
<u>Source Water Protection Plan</u> : Water system maintains an active Source Water Protection Plan that has been updated in the last three years.	4 points
<u>Water reuse project</u> ² : The project increases water efficiency, to increase potable water supply by replacing potable uses with non-potable sources, such as grey water systems and wastewater effluent reuse systems.	3 points
<u>Water Use Management</u> : Water system utilizes drought contingency or water conservation policies to manage customer demand seasonally or as needed in water shortages.	2 points
Safe Drinking Water Act Compliance	
<u>Acute violations</u> : System is in violation of acute treatment technique requirements or an MCL of an acute contaminant, and the proposed project will return the system to compliance.	20 Points



<u>Ground Water Under the Direct Influence of Surface Water (GWUDI) Sources:</u> System has received a formal GWUDI determination requiring the installation of surface water treatment, and the proposed project will meet compliance requirements.	15 Points
<u>Non-acute violations:</u> System is in violation of non-acute treatment technique requirements or MCL exceedences of non-acute contaminants, and the proposed project will return the system to compliance.	12 Points
<u>Maintains Compliance:</u> System is in compliance with state and federal drinking water regulations.	1 point
Affordability (Community Water Systems Only)	
Affordability ratio ² .01 to .015	6 Points
Affordability ratio ¹ greater than .015	10 Points
Regionalization	
<u>Regionalization Activities:</u> Project is a regionalization effort among two or more public water systems that results in the consolidation or physical connection of the public water systems that will begin to operate as one system, full time.	5 Points
<u>Provide regulated water service to areas not currently served:</u> Project extends water service to existing homes not currently served by a centralized water system.	5 Points



<u>Emergency Interconnection</u> : Project addresses the need for an emergency or back up source through an interconnection with another public water system.	3 Points
<u>Regional Resource Coordination</u> : System participates in a regional sharing of resources with other water system(s).	1 point
Water Efficiency	
<u>Metering</u> : Project includes metering an unmetered system.	8 Points
<u>Water Conservation</u> : Project is expected to result in 15% or more water conservation, determined using AWWA M36 methods.	6 Points
<u>Line Rehabilitation</u> : Project replaces or rehabilitates failing or inadequate distributions lines and water loss has been identified at 10% or greater.	5 points
<u>Water Pressure</u> : Project addresses a water pressure problem.	4 Points
<u>Rehabilitation</u> : Project replaces or rehabilitates failing or inadequate infrastructure or equipment, other than a water source.	4 Points
<u>Water Loss Program</u> : The system actively manages a Water Loss Program with the AWWA M36 method.	4 points
Sustainability	
<u>Asset Management</u> : Systems that have developed or are in the process of developing an asset management plan will receive one point for each core component completed. The core components are: asset inventory, level of service, critical asset assessment, life cycle costing, and long-term funding strategy.	5 Points Maximum



<u>Asset Management</u> : Project is part of a current asset management long term funding strategy	2 points
<u>Energy Efficiency</u> ² : Project implements renewable energy or energy conservation to reduce the amount of energy consumed from the grid to produce, treat and deliver water.	2 Points
<u>Green Stormwater Infrastructure</u> ² : Project preserves or restores natural landscape features and establishes policies such as infill and watershed redevelopment to reduce imperviousness. Local green infrastructure practices include bioretention, green roofs, rainwater harvesting, or grey water use.	2 Points
<u>Environmentally Innovative Projects</u> ² : Project uses environmentally innovative concepts to produce, treat and/or deliver water.	2 Points
<u>Operation Improvements</u> : Project streamlines, automates, or improves operations of the system (e.g. radio read meters, looping, SCADA, additional valves).	3 Points
Total	189 Points Maximum

¹ The affordability ratio is calculated by dividing projected average annual cost for water service upon the completion of the proposed project by the Median Household Income of the public water system's service area.

² Reference for these criteria is the EPA 2011 Clean Water and Drinking Water State Revolving Loan Fund 20% Green Project Reserve: Guidance for Determining Project Eligibility.



APPENDIX C

NEW MEXICO ENVIRONMENT DEPARTMENT MATCH FOR STATE PROGRAMS CATEGORY

NMED State Programs 1:1 Match Formula

	SFY16 Operating Budget
<i>DWSRLF STATE PROGRAMS SET-ASIDE ELEMENT</i>	July 2015-June 2016
State Programs Budget	\$1,408,300

State Match Funds	SFY16 Operating Budget
	July 2015-June 2016
Water Conservation Fee Fund	\$3,005,900
Available State Match-Current Year	\$1,408,300
Excess State Program Match	\$1,597,600



APPENDIX D

DWSRLF Sources and Uses



Table 2 DWSRLF SOURCES AND USES SFY 2016

<u>SOURCES</u>	Cumulative Total through 6/30/2015	7/1/2015 - 6/30/2016 (This IUP)	Cumulative Total through 6/30/16
Federal Capitalization Grants	\$172,468,500	\$8,845,000	\$181,313,500
20% Capitalization Grant Match	\$31,503,700	\$1,769,000	\$33,272,700
Investment Interest ¹	\$3,156,712	\$157,868	\$3,314,580
Loan Repayments – Principal	\$29,271,102	\$5,320,616	\$34,591,718
Loan Repayments - Interest	\$7,153,919	\$1,562,103	\$8,716,022
Total Sources	\$243,553,933	\$17,654,587	\$261,208,520
<u>Other</u>			
Set Aside 1:1 Match	\$39,442,771	\$1,408,300	\$40,851,071
<u>Uses of Funds</u>			
<u>Assistance Activity</u>			
Large System Commitments	\$112,151,618	\$56,446,200	\$168,597,818
Small System Commitments	\$47,913,479	\$14,391,638	\$62,305,117
Total Assistance	\$160,065,097	\$70,837,838	\$230,902,935
<u>Set-Aside Activity</u>			
Administration	\$7,080,740	\$353,800	\$7,434,540
Small System Technical Assistance	\$3,540,370	\$0	\$3,540,370
State Programs Management	\$17,701,850	\$0	\$17,701,850
Local Assistance	\$23,627,775	\$1,326,750	\$24,954,525
Less Transfers to Loan Fund	(\$202,181)	(\$1,158,545)	(\$1,360,726)
Total Set-Asides	\$51,748,554	\$522,005	\$52,270,559
Total Uses	\$211,813,651	\$71,359,843	\$283,173,494
Carryover ²	\$31,740,282	(\$53,705,256)	(\$21,964,974)

1 Investment interest is projected from the three year average, this past performance is no guarantee of future performances.

2 Carryover will be used to fund additional projects in the SFY.



APPENDIX E

DWSRF Set-Asides



ADMINISTRATION SET ASIDE (4%)								
Cap Grants with Allocations to Set-Aside	Set-Aside Allocated	Set-Aside Anticipated for FFY 2013 Cap Grants	Specified Amount	Unspecified Amount	Amount Transferred to Loan Fund	Specified Expenditures through SFY 2015	Estimated Expenditures through SFY 2016	Estimated Ending Balance as of end of SFY 2016
FFY 97	\$510,392		\$510,392	\$0	\$0	\$510,392		\$0
FFY 98-99	\$583,404		\$583,404	\$0	\$0	\$583,404		\$0
FFY 00	\$310,280		\$310,280	\$0	\$0	\$310,280		\$0
FFY 01	\$311,564		\$311,564	\$0	\$0	\$311,564		\$0
FFY 02	\$322,100		\$322,100	\$0	\$0	\$322,100		\$0
FFY 03	\$320,164		\$320,164	\$0	\$0	\$320,164		\$0
FFY 04	\$332,124		\$332,124	\$0	\$0	\$332,124		\$0
FFY 05	\$331,420		\$331,420	\$0	\$0	\$331,420		\$0
FFY 06	\$329,172		\$329,172	\$0	\$0	\$329,172		\$0
FFY 07	\$329,160		\$329,160	\$0	\$0	\$329,160		\$0
FFY 08	\$325,840		\$325,840	\$0	\$0	\$325,840		\$0
FFY 09	\$325,840		\$325,840	\$0	\$0	\$325,840		\$0
FFY 09 (ARRA)	\$780,000		\$780,000	\$0	\$219,049	\$560,951		\$0
FFY 10	\$542,920		\$542,920	\$0	\$0	\$542,920		\$0
FFY 11	\$376,720		\$376,720	\$0	\$0	\$376,720		\$0
FFY 12	\$359,000		\$359,000	\$0	\$0	\$359,000		\$0
FFY 13	\$336,840		\$336,840	\$0	\$0	\$59,752	\$192,877	\$0
FFY 14	353,800		\$353,800	\$0	\$0	\$353,800	\$275,702	\$78,098
FFY 15		\$353,800	\$353,800	0	0	0	0	\$353,800
TOTALS	\$7,080,740	\$353,800	\$7,434,540	\$0	\$219,049	\$6,584,603	\$468,579	\$431,898



SMALL SYSTEMS TECHNICAL ASSISTANCE SET ASIDE (2%)								
Cap Grants with Allocations to Set-Aside	Set-Aside Allocated	Set-Aside Anticipated for FFY 2015 Cap Grant	Specified Amount	Unspecified Amount	Amount Transferred to Loan Fund	Specified Expenditures through SFY 2015	Estimated Expenditures through SFY 2016	Estimated Ending Balance as of end of SFY 2016
FFY 97	\$255,196		\$255,196	\$0	\$0	\$255,196		\$0
FFY 98-99	\$291,702		\$291,702	\$0	\$0	\$291,702		\$0
FFY 00	\$155,140		\$155,140	\$0	\$0	\$155,140		\$0
FFY 01	\$155,782		\$155,782	\$0	\$0	\$155,782		\$0
FFY 02	\$161,050		\$161,050	\$0	\$0	\$161,050		\$0
FFY 03	\$160,082		\$160,082	\$0	\$0	\$160,082		\$0
FFY 04	\$166,062		\$166,062	\$0	\$0	\$166,062		\$0
FFY 05	\$165,710		\$165,710	\$0	\$0	\$165,710		\$0
FFY 06	\$164,586		\$164,586	\$0	\$0	\$164,586		\$0
FFY 07	\$164,580		\$164,580	\$0	\$0	\$164,580		\$0
FFY 08	\$162,920		\$162,920	\$0	\$0	\$162,920		\$0
FFY 09	\$162,920		\$162,920	\$0	\$0	\$162,920		\$0
FFY 09 (ARRA)	\$390,000		\$390,000	\$0	\$0	\$390,000		\$0
FFY 10	\$271,460		\$271,460	\$0	\$0	\$271,460		\$0
FFY 11	\$188,360		\$188,360	\$0	\$58,980	\$137,380		\$0
FFY 12	\$179,500		\$179,500	\$0	\$0	\$11,417	\$168,083	\$0
FFY 13	\$168,420		\$168,420	\$0	\$0	\$0	\$120,217	\$48,203
FFY 14	\$176,900		\$176,900	\$0	\$0	\$0	\$0	\$176,900
FFY 15		\$176,900	\$0	\$176,900	\$0	\$0	\$0	\$0
TOTALS	\$3,540,370	\$176,900	\$3,540,370	\$176,900	\$58,980	\$2,975,987	\$288,300	\$225,103



STATE PROGRAM MANAGEMENT SET-ASIDE (10%)								
Cap Grants with Allocations to Set-Aside	Set-Aside Allocated	Set-Aside Anticipated for FFY 2015 Cap Grant	Specified Amount	Unspecified Amount	Amount Transferred to Loan Fund	Specified Expenditures through SFY 2015	Estimated Expenditures through SFY 2016	Estimated Ending Balance as of end of SFY 2016
FFY 97	\$1,275,980		\$1,275,980	\$0	\$0	\$1,275,980		\$0
FFY 98-99	\$1,458,510		\$1,458,510	\$0	\$0	\$1,458,510		\$0
FFY 00	\$775,700		\$775,700	\$0	\$0	\$775,700		\$0
FFY 01	\$778,910		\$778,910	\$0	\$0	\$778,910		\$0
FFY 02	\$805,250		\$805,250	\$0	\$0	\$805,250		\$0
FFY 03	\$800,410		\$800,410	\$0	\$0	\$800,410		\$0
FFY 04	\$830,310		\$830,310	\$0	\$0	\$830,310		\$0
FFY 05	\$828,550		\$828,550	\$0	\$0	\$828,550		\$0
FFY 06	\$822,930		\$822,930	\$0	\$0	\$822,930		\$0
FFY 07	\$822,900		\$822,900	\$0	\$0	\$822,900		\$0
FFY 08	\$814,600		\$814,600	\$0	\$0	\$814,600		\$0
FFY 09	\$814,600		\$814,600	\$0	\$0	\$814,600		\$0
FFY 09 (ARRA)	\$1,950,000		\$1,950,000	\$0	\$0	\$1,950,000		\$0
FFY 10	\$1,357,300		\$1,357,300	\$0	\$28,098	\$1,329,202		\$0
FFY 11	\$941,800		\$941,800	\$0	\$23,435	\$918,365		\$0
FFY 12	\$897,500		\$897,500	\$0	\$0	\$641,288	\$256,212	\$0
FFY 13	\$842,100		\$842,100	\$0	\$0	\$0	\$842,100	\$0
FFY 14	\$884,500		\$884,500	\$0	\$0	\$0	\$532,788	\$351,712
FFY 15		\$884,500	\$0	\$884,500	\$0	\$0	\$0	\$0
TOTALS	\$17,701,850	\$884,500	\$17,701,850	\$884,500	\$51,533	\$15,667,505	\$1,631,100	\$351,712



CAPACITY DEVELOPMENT SUB-ELEMENT (10%)								
Cap Grants with Allocations to Set-Aside	Set-Aside Allocated	Set-Aside Anticipated for FFY 2015 Cap Grant	Specified Amount	Unspecified Amount	Amount Transferred to Loan Fund	Specified Expenditures through SFY 2015	Estimated Expenditures through SFY 2016	Estimated Ending Balance as of end of SFY 2016
FFY 97	\$537,990		\$537,990	\$0	\$0	\$537,990		\$0
FFY 98-99	\$1,312,659		\$1,312,659	\$0	\$0	\$1,312,659		\$0
FFY 00	\$698,130		\$698,130	\$0	\$0	\$698,130		\$0
FFY 01	\$778,910		\$778,910	\$0	\$0	\$778,910		\$0
FFY 02	\$805,205		\$805,205	\$0	\$0	\$805,205		\$0
FFY 03	\$800,410		\$800,410	\$0	\$0	\$800,410		\$0
FFY 04	\$830,310		\$830,310	\$0	\$0	\$830,310		\$0
FFY 05	\$828,550		\$828,550	\$0	\$0	\$828,550		\$0
FFY 06	\$822,930		\$822,930	\$0	\$0	\$822,930		\$0
FFY 07	\$822,900		\$822,900	\$0	\$0	\$822,900		\$0
FFY 08	\$814,600		\$814,600	\$0	\$37,753	\$776,847		\$0
FFY 09	\$814,600		\$814,600	\$0	\$0	\$814,600		\$0
FFY 09 (ARRA)	\$0		\$0	\$0	\$0	\$0		\$0
FFY 10	\$1,357,300		\$1,357,300	\$0	\$0	\$1,357,300		\$0
FFY 11	\$941,800		\$941,800	\$0	\$276,534	\$665,266		\$0
FFY 12	\$897,500		\$897,500	\$0	\$0	\$73,388	\$824,112	\$0
FFY 13	\$842,100		\$842,100	\$0	\$0	\$0	\$842,100	\$0
FFY 14	\$884,500		\$884,500	\$0	\$0	\$0	\$502,388	\$382,112
FFY 15		\$884,500	\$884,500	\$0	\$0	\$0	\$0	\$884,500
TOTALS	\$14,790,394	\$884,500	\$15,674,894	\$0	\$314,287	\$11,925,395	\$2,168,600	\$1,266,612



LOCAL ASSISTANCE AND OTHER STATE PROGRAMS SET-ASIDE WELLHEAD PROTECTION SUB –ELEMENT (5%)								
Cap Grants with Allocations to Set-Aside	Set-Aside Allocated	Set-Aside Anticipated for FFY 2015 Cap Grant	Specified Amount	Unspecified Amount	Amount Transferred to Loan Fund	Specified Expenditures through SFY 2015	Estimated Expenditures through SFY 2016	Estimated Ending Balance as of end of SFY 2016
FFY 97	\$1,375,980		\$1,375,980	\$0	\$0	\$1,375,980		\$0
FFY 98-99	\$875,106		\$875,106	\$0	\$0	\$875,106		\$0
FFY 00	\$465,420		\$465,420	\$0	\$0	\$465,420		\$0
FFY 01	\$389,455		\$389,455	\$0	\$0	\$389,455		\$0
FFY 02	\$402,670		\$402,670	\$0	\$0	\$402,670		\$0
FFY 03	\$400,205		\$400,205	\$0	\$0	\$400,205		\$0
FFY 04	\$415,155		\$415,155	\$0	\$0	\$415,155		\$0
FFY 05	\$414,275		\$414,275	\$0	\$0	\$414,275		\$0
FFY 06	\$411,465		\$411,465	\$0	\$0	\$411,465		\$0
FFY 07	\$411,450		\$411,450	\$0	\$0	\$411,450		\$0
FFY 08	\$407,300		\$407,300	\$0	\$164,428	\$242,872		\$0
FFY 09	\$407,300		\$407,300	\$0	\$0	\$407,300		\$0
FFY 09 (ARRA)	\$0		\$0	\$0	\$0	\$0		\$0
FFY 10	\$678,650		\$678,650	\$0	\$308,956	\$369,694		\$0
FFY 11	\$470,900		\$470,900	\$0	\$462,542.00	\$8,358		\$0
FFY 12	\$448,750		\$448,750	\$0	\$0	\$18,199	\$430,551	\$0
FFY 13	\$421,050		\$421,050	\$0	\$0	\$0	\$421,050	\$0
FFY 14	\$442,250		\$442,250	\$0	\$0	\$0	\$18,299	\$423,951
FFY 15		\$442,250	\$442,250	\$0	\$0	\$0	\$0	\$442,250
TOTALS	\$8,837,381	\$442,250	\$9,279,631	\$0	\$935,926	\$6,607,604	\$869,900	\$866,201



APPENDIX F NMED

PUBLIC OUTREACH

Sample notice published in at least three newspapers statewide:

The New Mexico Finance Authority (NMFA) and the New Mexico Environment Department (NMED) Drinking Water Bureau (DWB) invite public review and comment on the ***State Fiscal Year 2016 Drinking Water State Revolving Fund Draft Intended Use Plan***. The Safe Drinking Water Act (SDWA) amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) program to assist eligible public water systems to finance the cost of the infrastructure needed to achieve or maintain compliance with the SDWA requirements and protect public health. This Intended Use Plan (IUP) details the intended use for the State Fiscal Year 2015. The draft IUP is available at <http://nmfa.net> and <http://www.nmenv.state.nm.us/dwb> or a copy can be obtained by calling Danielle Shurn at (505) 476-8637 or by e-mail at danielle.shurn@state.nm.us. Comments will be accepted until July 27, 2015 and should be addressed to:

New Mexico Environment Department - Drinking Water Bureau

P. O. Box 5469

Santa Fe, NM 87502-5469

Attn: Danielle Shurn



Appendix G:
Compliance with Grant Conditions



1. Davis-Bacon Act

It is a requirement that recipients of SRF funding comply with 40 CFR Part 31, the Davis- Bacon Act wage determinations and the U.S. Department of Labor's implementing regulations. The Department of Labor provides all pertinent information related to compliance with labor standards, including prevailing wage rates and instructions for reporting. The requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) shall apply to any construction project carried out in whole or in part with assistance made available as authorized by section 1452 of that Act (42 U.S.C. 300j-12).

2. Compliance with Crosscutting Authorities

There are a number of federal laws, executive orders, and federal policies that apply to projects and activities receiving federal financial assistance, regardless of whether the federal laws authorizing the assistance make them applicable. These federal authorities are referred to as crosscutting authorities or crosscutters. The crosscutters apply to projects and activities whose cumulative funding equals the amount of the SRF capitalization grants. All projects assisted with funds equivalent to the amount of capitalization grants must comply with the crosscutter requirements. The crosscutters can be divided into three groups: environmental; social policies; and, economic and miscellaneous authorities.

- Environmental crosscutters include federal laws and executive orders that relate to preservation of historical and archaeological sites, endangered species, wetlands, agricultural land, etc. This crosscutter requirement includes a National Environmental Policy Act-compliant environmental review.
- Social policy crosscutters include requirements such as minority and women's business enterprise participation goals, equal opportunity employment goals, and nondiscrimination laws. This crosscutter requirement includes compliance with the Disadvantaged Business Enterprise program.
- Economic crosscutters directly regulate the expenditure of federal funds such as the prohibition against entering into contracts with debarred or suspended firms.

A complete list of crosscutting authorities can be found at the EPA web site www.epa.gov/safewater/dwsrf/xcuts.html

The following language is included in Drinking Water State Revolving Loan Fund Loans.

Section 7.4 Compliance with Applicable State and Federal Laws. During the Loan Agreement Term, the Governmental Unit shall comply with all applicable State and federal laws, including, without limitation, the following:



(a) For all contracts, the Governmental Unit shall comply with the New Mexico Procurement Code, NMSA 1978, §§ 13-1-28 through 13-1-199, as amended, or its local procurement ordinances and regulations, as applicable.

(b) For all construction contracts awarded in excess of \$10,000, the Governmental Unit shall comply with Executive Order 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 12, 1967, and as supplemented in Department of Labor regulations (41 C.F.R. chapters 40 and 60). In addition, for all contracts, the Governmental Unit shall comply with all State laws and regulations and all executive orders of the Governor of the State pertaining to equal employment opportunity.

(c) For all contracts awarded for construction or repair, the Governmental Unit shall comply with the Copeland "Anti-Kickback" Act (18 U.S.C. § 874) as supplemented in Department of Labor regulations (29 C.F.R. part 3).

(d) For all construction subcontracts, and sub grants of amounts in excess of \$100,000, the Governmental Unit shall comply with all applicable standards, orders, or requirements issued under section 306 of the Clean Air Act (42 U.S.C. § 7606), Section 508 of the Clean Water Act (33 U.S.C. § 1368), Executive Order 11738, and Environmental Protection Agency regulations (40 C.F.R. Part 15). In addition, for all contracts, the Contractor shall comply with all applicable State laws and regulations and with all executive orders of the Governor of the State pertaining to protection of the environment.

(e) For all contracts the Governmental Unit shall comply with the mandatory standards and policies relating to energy efficiency which are contained in the State energy conservation plan issued in compliance with section 362 of the Energy Policy and Conservation Act (42 U.S.C. § 6322).

(f) For all contracts in excess of \$2,000 the Governmental Unit shall comply with applicable standards of the Davis-Bacon Wage Act (40 U.S.C. § 3141 et seq.), as amended and supplemented, relating to wages paid to laborers and mechanics employed by contractors and sub-contractors on a Project funded directly by or assisted in whole or in part by and through the Governmental Unit.

(g) For all contracts, the Governmental Unit shall comply with the requirements of the Environmental Protection Agency's Program for Utilization of Minority and Women's Business Enterprises set out in Title 40, Chapter I, Subchapter B, Part 33 of the Code of Federal Regulations.

(h) For all contracts, the Governmental Unit shall comply with the requirements of Executive Order 13502 on Use of Project Agreements for Federal Construction Projects.

(i) For all contracts, the Governmental Unit shall comply with the requirements of



Executive Order dated September 25, 2012 on Strengthening Protections Against Trafficking in Persons in Federal Contracts.

(j) For all contracts, the Governmental Unit shall comply with all federal requirements applicable to the Loan (including those imposed by the 2014 Appropriations Act and related SRF Policy Guidelines) which the Governmental Unit understands includes, among other, requirements that all of the iron and steel products used in the Project are to be produced in the United States (“American Iron and Steel Requirement”) unless (i) the Governmental Unit has requested and obtained a waiver from the Finance Authority pertaining to the Project or (ii) the Finance Authority has otherwise advised the Governmental Unit in writing that the American Iron and Steel Requirement is not applicable to the Project.

(k) For all contracts, the Governmental Unit shall comply with all record keeping and reporting requirements under the Clean Water Act/Safe Drinking Water Act, including any reports required by a Federal agency or the Finance Authority such as performance indicators of program deliverables, information on costs and project progress. The Governmental Unit understands that (i) each contract and subcontract related to the Project is subject to audit by appropriate federal and state entities and (ii) failure to comply with the Clean Water Act/Safe Drinking Water Act and this Agreement may be a default under this Agreement.

(l) For all contracts, the Governmental Unit shall comply with Executive Order 12549 – Debarment and Suspension and all rules, regulations and guidelines issued pursuant to Executive Order 12549, including compliance with the requirement that each prospective participant in transactions related to the Loan execute a written certification that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in transactions related to the Loan.

The Finance Authority or its designee shall have the right to review all contracts, work orders and other documentation related to the Project that it deems necessary to assure compliance with applicable laws, rules and regulations, and may conduct such review as it deems appropriate prior to disbursing funds for payment of an Approved Requisition.

American Iron and Steel

For all contracts, the Governmental Unit shall comply with all federal requirements applicable to the Loan (including those imposed by the 2014 Appropriations Act and related SRF Policy Guidelines) which the Governmental Unit understands includes, among other, requirements that all of the iron and steel products used in the Project are to be produced in the United States (“American Iron and Steel Requirement”) unless (i) the Governmental Unit has requested and obtained a waiver from the Finance Authority pertaining to the Project or (ii) the Finance Authority has otherwise advised the Governmental Unit in writing that the American Iron and Steel Requirement is not applicable to the Project.



Signage- Starting with the federal fiscal year 2015 Capitalization Grant award there will be a signage requirement tied to the capitalization grant. This will require compliance by the recipient with the SRF Signage Guidance in order to enhance public awareness of EPA assistance agreements nationwide.



Appendix H:

Cash Draw Ratio and Grant Payment Schedule



New Mexico Finance Authority -- FY 2015 Grant Application Draw Projections									
Appropriation \$8,845,000 (Federal)									
Appropriation \$1,769,000 (State)									
Date	FFY -- QTR	Administrative Set-Aside	Small System Technical Assistance Set Aside	State Program Management Set-Aside	Local Assistance and other State Program Set Aside	Total Set Aside	Loan Fund Federal	Loan Fund State Match	Total
July - Sept 2015	2015 - 4th								\$0
Oct - Dec 2015	2016 - 1st	\$176,900				\$176,900	\$3,051,526	\$884,500	\$4,112,926
Jan - Mar 2016	2016 - 2nd	\$176,900				\$176,900	\$3,051,526	\$884,500	\$4,112,926
Apr - June 2016	2016 - 3rd								
July - Sept 2016	2016 - 4th				\$331,688	\$331,688			\$331,688
Oct - Dec 2016	2017 - 1st				\$331,687	\$331,687			\$331,687
Jan - Mar 2017	2017 - 2nd				\$331,688	\$331,688			\$331,688
Apr - June 2017	2017 - 3rd				\$331,687	\$331,687			\$331,687
July - Sept 2017	2017 - 4th								\$0

						Max set- aside equals	Max loan fund equals	Cash Draw Ratio
For Reference								
Max % - total award		4%	2%	10%	15%	19%	81%	
Max \$ -total federal award		\$353,800	\$0	\$0	\$1,326,750	\$1,680,550	\$7,164,450	80.19%
Max \$ -total state award							\$1,769,000	19.81%
Combined total						\$1,680,550	\$8,933,450	100.00%

